



U.S. Attorney's
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U.S. Department of
Homeland Security

FOR IMMEDIATE RELEASE
September 5, 2006

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FEDERAL AUTHORITIES DISMANTLE MAJOR INTERNATIONAL COUNTERFEIT MERCHANDISE SMUGGLING RING

*ICE-CBP probe leads to seizure of more than 135,000 pairs of knock-off NIKE athletic shoes.
U.S. Attorney indicts six for attempted bribery and trafficking in counterfeit goods.*

TUCSON - Flanked by a display of what appeared to be high-end Nike athletic shoes, representatives from the Department of Justice and the Department of Homeland Security today announced the break up of one of the largest counterfeit merchandise smuggling schemes uncovered in recent U.S. history.

Six persons, including two U.S. citizens and four foreign nationals, were indicted last month for conspiring to smuggle millions of dollars worth of phony merchandise, including Nike Air Jordan athletic shoes, from China into the United States. So far, authorities have seized more than \$16 million worth of counterfeit merchandise as part of the probe, which involves U.S. Immigration and Customs Enforcement (ICE) and U.S. Customs and Border Protection (CBP).

"This case represents one of the most significant investigations into counterfeit goods in recent U.S. history. Taking down an organization that sought to introduce millions of dollars worth of counterfeit goods into our economy is a victory for both consumers and legitimate businesses," said Roberto G. Medina, special agent in charge of U.S. Immigration and Customs Enforcement's office of investigations in Arizona. "This case also demonstrates what can be achieved when ICE and CBP work together to combat a criminal enterprise."

The U.S. Attorney for the District of Arizona Paul K. Charlton said, "One of the biggest challenges of our globalized world, which has brought many benefits as trade has expanded, is the effort by transnational criminals to steal intellectual property. "It may not be obvious, but the consequences are huge. Intellectual property is the bedrock of innovation and entrepreneurship in our society. This indictment reflects efforts to not only counterfeit goods illegally, but also to bribe officials whose job it is to protect and monitor the flow of goods across our borders."

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On August 24, three defendants of six defendants charged with conspiracy were arraigned in U.S. District Court. The six defendants were charged in an indictment returned by a federal grand jury at Tucson, on August 16, 2006. The defendants are: (1) MARK ELIAS, age 36, a resident of El Paso, Texas; (2) JUAN CARLOS MARTINEZ-ESQUER, age 46, a resident of Sonora, Mexico; (3) MANUEL FLORES, JR., age 53, a resident of El Paso, Texas; (4) WEI TUNG LAM, aka "Tony" Lan Wen Jung, a resident of Gambia and a native of the People's Republic of China; (5) SAU KUEN CHAN, aka Edith Chan, a resident of Hong Kong; and (6) PENG LIU, aka "charleyworld", a resident of Hong Kong.

The indictment alleges that between May 12, 2006 and July 25, 2006, in Nogales, Arizona and elsewhere, the defendants and others conspired to commit certain offenses against the United States, specifically, bribery of a public official and trafficking in counterfeit goods and services. The indictment alleges that defendants Elias, Martinez-Esquer, Flores, Wei Ting Lam, Sau Kuen Chan and Peng Liu, and others conspired to traffic in counterfeit goods and services, involving fifteen (15) sea cargo containers containing approximately 135,000 pairs of counterfeit Nike Air Jordan athletic shoes with a retail value of more than \$16 million.

The indictment also alleges that defendants Elias, Martinez-Esquer, Flores and others attempted to bribe an undercover federal agent posing as a Customs and Border Protection (CBP) Officer to falsify government computer records to indicate that merchandise shipped from China to the United States was then re-exported to Mexico, when in fact, the merchandise was diverted into the commerce of the United States. It is further alleged that defendants Wei Tung Lam and Sau Kuen Chan also solicited an undercover federal agent posing as a customs broker employee to facilitate the release of six containers of merchandise being held by CBP in Nogales, Arizona at the direction of defendant Peng Liu. The indictment also alleges that several of the defendants met at least eight times with the undercover agent and gave the agent \$25,000 in currency as attempted bribes.

As part of the continuing investigation, an additional 62 containers have been identified and held in Long Beach, California and are being inspected by CBP as are another 14 containers being held and inspected in El Paso, Texas.

Donna De La Torre, Director of Field Operations for CBP stated: "CBP Officers work diligently to fulfill their responsibility of protecting our country at ports of entry. This responsibility includes not only the well-known missions of stopping terrorists and their weapons, narcotics interdiction, immigration enforcement, and agricultural protection, but also many others with far-reaching impacts. Protecting our citizens from unscrupulous people who would defraud our consumers and trademark holders by introducing counterfeit, substandard and unsafe products into our economy is a vital part of what CBP Officers do everyday at the ports of entry."

On August 24, 2006, Defendants Martinez-Esquer, Wei Tung Lam and Sau Kuen Chan were arraigned before United States Magistrate Judge Charles R. Pyle, and a trial date of October 17, 2006 was set before District Court Judge Cindy K. Jorgenson. These three defendants are being held in federal custody as flight risks. Defendants Mark Elias and Manuel Flores, Jr., are set for arraignment on Thursday, September 7, 2006, having been released on \$50,000 and \$20,000 cash bond, respectively. Defendant Peng Liu remains a fugitive.

The federal indictment charges each defendant with conspiracy, in violation of Title 18 of the United States Code, Section 371, 201(b)(1)(C) and 2320.

A conviction for conspiracy carries a maximum penalty of five years imprisonment, a \$250,000 fine or both.

An indictment is simply the method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The investigation preceding the indictment was conducted by U.S. Immigration and Customs Enforcement (ICE) with the assistance of U.S. Customs and Border Protection (CBP).

The prosecution is being handled by Danny N. Roetzel, Assistant U.S. Attorney, District of Arizona, Tucson.

For more information on intellectual property crimes, go to <http://www.justice.gov/>

CASE NUMBER: CR-06-01429-CKJ (HCE)

RELEASE NUMBER: 2006-174(Elias, et.al.)

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